

6 Accused of Manipulating Credit Data Bank on Coast

NYTimes By ROBERT LINDSEY SEP 3 1976

Special to The New York Times

LOS ANGELES, Sept. 2—A Federal grand jury indicted six persons today for allegedly manipulating the records of more than 100 people in the nation's largest consumer credit-data bank. The bank stores information on the borrowing habits of more than 50 million Americans.

Federal investigators said the case, in which high-quality credit ratings were sold to high-risk borrowers by a criminal ring that arranged access to the computer, demonstrated the ease with which the nation's fast-proliferating data banks can be penetrated.

Negative Data Deleted

Knowledgeable sources said they believed the case was the largest fraud ever involving computerized credit-data banks.

According to the indictments, a criminal ring sold A-1 credit ratings to businessmen, doctors and others who had bad credit histories for payments ranging from \$175 to \$1,500. Most payments were in the higher range, they said.

According to the Federal Bureau of Investigation, the ring worked through a young woman, employed by TRW as a clerk, who arranged to delete negative credit information about bankruptcies and slow or non-payment of debts and in some cases, inserted information in the computer that showed a

Continued on Page D7, Col. 4

Continued From Page A1, Col. 6
first-rate credit history.

What this shows is not only that the potential for abuse is great with credit-data banks, but that you don't need a high official or a great deal of sophistication to work your way into the computers," said Joel Levine, an assistant United States Attorney who presented the case to the jury.

The computer center is operated by TRW Data Systems, a division of TRW Inc. of Cleveland. Situated in Anaheim, an Orange County suburb, the data bank is a repository of credit information on people in 20 United States cities, including New York, that is referred daily by thousands of businesses.

At least 100 people are said to have been given positive credit ratings by the ring, the Federal investigators said, after receiving these good credit ratings. Some promptly went deeply in debt and defaulted at banks, credit card companies and other businesses.

Losses Are Vast

Mr. Levine said it was impossible to know how much money had been lost in the fraud, but said further indictments would follow involving people who arranged to buy good credit ratings. Another official estimated that losses to the businesses, which included Master Charge and American Express credit card companies, and several banks, could easily exceed \$1 million.

The indictments, charging conspiracy and making false statements in loan applications, were returned against Philip Kostoff, 31 years old, of Mission Viejo, Calif., the alleged leader of the ring; his brother, Paul, 35, of Fountain Valley, Calif.; John R. Dubos, 41, Garden Grove, Calif.; Kenneth Stevens, 39, Newport Beach, Calif.; Ronald Rossi, 41, of Garden Grove, Calif., and Sean Shanahan, 35, of Santa Ana, Calif.

It is alleged that the group solicited persons in need of improving their credit records at various places, including bars and taverns in Orange County, and taverns in Orange County, Calif.

The indictment identified the TRW employee who allegedly cleansed the credit records as Kathleen Bennett. She was cited as co-conspirator but was not indicted. An arrangement was made to pay her \$50 for each credit history that she altered, although she was not paid in every case, officials said.

Span of Indictments

The indictments covered the period from Aug. 1, 1974, to March 29, 1975. The F.B.I. began its investigation after an informant approached authorities and said he had been offered a chance to buy a top credit report for \$600.

Reports of credit fraud involving the TRW system, in the possibility of buying a good credit rating, have circulated in southern California for several years. A company spokesman refused today to comment about any possible previous cases of fraud, but said Miss Bennett was the first employee to be discharged as a result of such incidents.

Asked whether the company had instituted or planned any new security measures to cope with such problems because of the investigation, the TRW official said no major changes were planned. "We have ways of checking employees," he said, and he added this was a case where the screening system had failed to work with total effectiveness.

TRW's consumer data bank in Anaheim is operated by TRW Information Services, which recently started a business-credit reporting system designed to compete with Dun & Bradstreet.